

EVERETT CITY COUNCIL AGENDA ITEM COVER SHEET

PROJECT TITLE:

Ordinance Relating to Tax Administration, amending Ordinance No. 3385-14 (Chapter 3.19 EMC), as amended

<u>5/4/16</u>	Briefing
_____	Proposed Action
_____	Consent
_____	Action
<u>5/4/16</u>	First Reading
<u>5/11/16</u>	Second Reading
<u>5/18/16</u>	Third Reading
_____	Public Hearing
_____	Budget Advisory

COUNCIL BILL #	<u>CB160422</u>
Originating Department	<u>Finance</u>
Contact Person	<u>Susy Haugen</u>
Phone Number	<u>425-257-8612</u>
FOR AGENDA OF	<u>May 4, 2016</u>

Initialed by:
 Department Head _____
 CAA db
 Council President _____

<u>Location</u>	<u>Preceding Action</u>	<u>Attachments</u>	<u>Department(s) Approval</u>
	Budget Committee 4/6/16	Ordinance	Finance, Legal

Amount Budgeted	-0-	
Expenditure Required	-0-	Account Number(s):
Budget Remaining	-0-	
Additional Required	-0-	

DETAILED SUMMARY STATEMENT:

This Amending Ordinance contains several updates that will clarify certain business processes and implement a new license renewal fee for small businesses domiciled within the city limits of Everett. Proposed changes include:

- removing the business license exemption for businesses under small contracts with the City;
- clarifying that the reduced mid-year license fee only applies to businesses that begin doing business after July 1;
- restating the measurement period for license renewal fees; and
- clarifying the procedures for annual Consumer Price Index (CPI)-based increases in license fees.

RECOMMENDATION:

Adopt Ordinance Relating to Tax Administration, amending Ordinance No. 3385-14 (Chapter 3.19 EMC) as amended.

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- clarifying that the reduced mid-year license fee only applies to businesses that begin doing business after July 1;
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- clarifying the procedures for annual Consumer Price Index (CPI)-based increases in license fees.

RECOMMENDATION:

Adopt Ordinance Relating to Tax Administration, amending Ordinance No. 3385-14 (Chapter 3.19 EMC) as amended.

ORDINANCE NO. _____

**An Ordinance Relating to Tax Administration, amending Ordinance No. 3385-14 (Chapter 3.19 EMC),
as amended.**

WHEREAS, the City's Tax Administration Code, Chapter 3.19 EMC, requires modifications periodically to clarify or update the tax administration process; and

WHEREAS, the Everett City Council wishes to add a new category to the annual business license renewal fee schedule to aid small businesses within the city limits of Everett; and

WHEREAS, there are additional housekeeping issues that will serve to clarify and improve the tax administration process;

NOW, THEREFORE, THE CITY OF EVERETT DOES ORDAIN:

Section 1. Section 1 of Ordinance No. 3385-14 (EMC 3.19.030), which reads as follows:

3.19.030 Registration/license certificates.

A. Licensing. Except for those persons under contract with the city, which contracts are exempt under Section 3.19.040(D), any person, so engaging in a business activity within the city whether taxable or not, shall apply for and obtain from the city clerk, upon payment of the fee provided in this section, a business license. Such applicant shall complete an application form for such business license upon such forms as provided by the office of the city clerk and shall accompany such application with the required fee. Such business license shall be personal and nontransferable. If a taxpayer transacts business at two or more locations within the city, the taxpayer must obtain additional business licenses for each additional location and pay the required additional location fee annually.

B. License Control. Each business license shall be numbered and shall show the name, place and character of the business of the taxpayer and such other information as the office of the clerk deems necessary and shall be posted in a conspicuous place at the place of business for which it is issued.

C. License Duration. Each business license issued by the office of the clerk will be valid from January 1st to December 31st of a calendar year, so long as the taxpayer pays the tax accrued to the city. If a taxpayer changes its place of business, the taxpayer must return its existing business license to the office of the clerk and the office of the clerk will issue a new business license for the new place of business with the same expiration date as the taxpayer's existing license and without an additional charge.

D. License Restrictions. No person shall engage in any business taxable under this chapter without being registered in compliance with the provisions of this chapter, except that the office

of the clerk, by general regulation, may provide for the issuance of temporary business licenses to a temporary place of business without requiring the payment of any fee. No person to whom a business license has been issued may allow any person for whom a separate business license is required to operate under or to display his/her business license. No person may operate under or display a business license issued by the city to another taxpayer.

E. License Fees.

1. **Registration Fee.** A registration fee of seventy-five dollars will be due at the time of filing an application for a business license. If the application for a business license is filed between July 1st and December 31st, the registration fee will be thirty-seven and one-half dollars.
2. **Additional Location Fee.** For each additional location at which a taxpayer transacts business, the taxpayer will pay a fee of twenty dollars per year at the time of registration. If the application for an additional location is filed between July 1st and December 31st, the additional location fee will be ten dollars.
3. **Renewal Fee.** A renewal fee will be due prior to January 1st of each year. For businesses with a gross income of less than twenty thousand dollars in the preceding year, the annual renewal fee is twenty-five dollars. For businesses with a gross income of twenty thousand dollars or more in the preceding year, the annual renewal fee is seventy-five dollars. The renewal fee for each additional location will be twenty dollars.
4. **Fee Adjustment.** Prior to mailing renewal notices, but no later than December 31, 2014, and annually thereafter, the office of the clerk shall administratively adjust the fees provided for herein in an amount equal to the annual change in the June to June Consumer Price Index (CPI-U) (1982-84=100) for the Seattle-Tacoma-Bremerton area as published by the United States Department of Labor (CPI). To calculate the adjustment, the current rate will be multiplied by one plus the annual change in the CPI. If the annual change in CPI is negative, no adjustment shall be made for the year. The amount of the fees so calculated will be rounded to the nearest whole dollar.

F. **License Renewal.** Prior to January 1st of each year, a taxpayer desiring to renew its license must submit a renewal form and the renewal fee to the office of the clerk. The renewal form must indicate any changes to the taxpayer's name, location, or character of business, or affirm that there have not been any changes. Any taxpayer failing to make payment on or prior to January 1st will be subject to penalties in the following amounts:

1. Ten percent of the current renewal fee, as adjusted in subsection (E)(4) of this section, if the payment is not received on or before the last day of the month following the expiration date.
2. Twenty percent of the current renewal fee, as adjusted in subsection (E)(4) of this section, if the payment is not received on or before the last day of the second month following the expiration date.
3. All business licenses issued subsequent to the initial license period will be deemed renewal licenses if there has been no discontinuance of the taxpayer's operations or activities. Nonpayment by the taxpayer of taxes or business license fees when due during the term of any

license will constitute grounds for revocation of, or the refusal to renew, said license. (Ord. 3385-14 § 1, 2014; Ord. 2809-04 § 1 (part), 2004)

is hereby amended to read as follows:

3.19.030 Registration/license certificates.

A. ~~Licensing. Except for those persons under contract with the city, which contracts are exempt under Section 3.19.040(D),~~ Any person, so engaging in a business activity within the city whether taxable or not, shall apply for and obtain from the city clerk, upon payment of the fee provided in this section, a business license. Such applicant shall complete an application form for such business license upon such forms as provided by the office of the city clerk and shall accompany such application with the required fee. Such business license shall be personal and nontransferable. If a taxpayer transacts business at two or more locations within the city, the taxpayer must obtain additional business licenses for each additional location and pay the required additional location fee annually.

B. License Control. Each business license shall be numbered and shall show the name, place and character of the business of the taxpayer and such other information as the office of the clerk deems necessary and shall be posted in a conspicuous place at the place of business for which it is issued.

C. License Duration. Each business license issued by the office of the clerk will be valid from January 1st to December 31st of a calendar year, so long as the taxpayer pays the tax accrued to the city. If a taxpayer changes its place of business, the taxpayer must return its existing business license to the office of the clerk and the office of the clerk will issue a new business license for the new place of business with the same expiration date as the taxpayer's existing license and without an additional charge.

D. License Restrictions. No person shall engage in any business taxable under this chapter without being registered in compliance with the provisions of this chapter, except that the office of the clerk, by general regulation, may provide for the issuance of temporary business licenses to a temporary place of business without requiring the payment of any fee. No person to whom a business license has been issued may allow any person for whom a separate business license is required to operate under or to display his/her business license. No person may operate under or display a business license issued by the city to another taxpayer.

E. License Fees.

1. Registration Fee. A registration fee of seventy-five dollars will be due at the time of filing an application for a business license. If the application for a business license is filed between July 1st and December 31st, and the registrant's first day of business is July 1st or later, the registration fee will be thirty-seven and one-half dollars.

2. Additional Location Fee. For each additional location at which a taxpayer transacts business, the taxpayer will pay a fee of twenty dollars per year at the time of registration. If the application for an additional location is filed between July 1st and December 31st, the additional location fee will be ten dollars.

3. **Renewal Fee.** A renewal fee will be due prior to January 1st of each year. For businesses located outside the city limits of Everett with total a-world-wide gross income of less than twenty thousand dollars in the first three quarters of the year preceding the license year, plus the fourth quarter of the year prior to the preceding year, the annual renewal fee is twenty-five dollars. For businesses located within the city limits of Everett with total world-wide gross income of less than twenty thousand dollars in the first three quarters of the year preceding the license year, plus the fourth quarter of the year prior to the preceding year, the annual renewal fee is ten dollars. For all businesses with totala world-wide gross income of twenty thousand dollars or more in the first three quarters of the year preceding the license year, plus the fourth quarter of the year prior to the preceding year, the annual renewal fee is seventy-five dollars. The renewal fee for each additional location will be twenty dollars. Measurement period example:

<u>License Year</u>	<u>Gross Earnings Measurement Period</u>
<u>2017</u>	<u>4th Quarter 2015</u> <u>3rd Quarter 2016</u> <u>2nd Quarter 2016</u> <u>1st Quarter 2016</u>

4. **Fee Adjustment.** ~~The Prior to mailing renewal notices, but no later than December 31, 2014, and annually thereafter, the office of the clerk shall administratively adjust the fees provided for herein annually in an amount equal to the annual change in the June to June Consumer Price Index (CPI-U) (1982-84=100) for the Seattle-Tacoma-Bremerton area as published by the United States Department of Labor (CPI), compounded from the base year of 2015. -To calculate the adjustment, the current rate established in Section 3.19.030 E.3. will be multiplied by one plus the compounded annual change in the CPI between the current year and 2015. If the annual change in CPI is negative, no adjustment shall be made for the year. The amount of the fees so calculated will be rounded to the nearest whole dollar.~~

F. **License Renewal.** Prior to January 1st of each year, a taxpayer desiring to renew its license must submit a renewal form and the renewal fee to the office of the clerk. The renewal form must indicate any changes to the taxpayer's name, location, or character of business, or affirm that there have not been any changes. Any taxpayer failing to make payment on or prior to January 1st will be subject to penalties in the following amounts:

1. Ten percent of the current renewal fee, as adjusted in subsection (E)(4) of this section, if the payment is not received on or before the last day of the month following the expiration date.
2. Twenty percent of the current renewal fee, as adjusted in subsection (E)(4) of this section, if the payment is not received on or before the last day of the second month following the expiration date.
3. All business licenses issued subsequent to the initial license period will be deemed renewal licenses if there has been no discontinuance of the taxpayer's operations or activities. Nonpayment by the taxpayer of taxes or business license fees when due during the term of any license will constitute grounds for revocation of, or the refusal to renew, said license. (Ord. 3385-14 § 1, 2014: Ord. 2809-04 § 1 (part), 2004)

Section 2. Section 2 of Ordinance No. 3385-14 (EMC 3.19.040), which reads as follows:

3.19.040 When due and payable—Reporting periods—Monthly, quarterly, and annual returns—Threshold provisions or relief from filing requirements—Computing time periods—Failure to file returns.

A. Other than any annual license fee or registration fee assessed under this chapter, the tax imposed by this chapter shall be due and payable in quarterly installments. At the director's discretion, businesses may be assigned to a monthly or annual reporting period depending on the tax amount owing or type of tax. Tax payments are due on or before the last day of the next month following the end of the assigned reporting period covered by the return.

B. Taxes shall be paid as provided in this chapter and accompanied by a return on forms as prescribed by the director. The return shall be signed by the taxpayer personally or by a responsible officer or agent of the taxpayer. The individual signing the return shall swear or affirm that the information in the return is complete and true.

C. Tax returns must be filed and returned by the due date whether or not any tax is owed. Returns not received on or before the due date are subject to penalties and interest in accordance with this chapter.

D. For purposes of the tax imposed by Chapter 3.24, any person whose value of products, gross proceeds of sales or gross income of the business subject to tax after all allowable deductions is equal to or less than twenty thousand dollars in the current calendar year or five thousand dollars in the current quarter shall file a return, declare no tax due on their return, and submit the return to the director. The gross receipts and deduction amounts shall be entered on the tax return even though no tax may be due, except in those specific instances wherein the person claiming exemption under the provisions of this subsection is under contract for personal/professional services with the city which contract is less than five thousand dollars for a quarterly period or twenty thousand dollars if on an annual reporting basis.

E. A taxpayer who commences to engage in business activity shall file a return and pay the tax or fee for the portion of the reporting period during which the taxpayer is engaged in business activity.

F. Except as otherwise specifically provided by any other provision of this chapter, in computing any period of days prescribed by this chapter, the day of the act or event from which the designated period of time runs shall not be included. The last day of the period shall be included unless it is a Saturday, Sunday, or city or federal legal holiday, in which case the last day of such period shall be the next succeeding day which is neither a Saturday, Sunday, or city or federal legal holiday.

G. If any taxpayer fails, neglects or refuses to make his or her return as and when required in this chapter, the director is authorized to determine the amount of the tax or fees payable by obtaining facts and information upon which to base his or her estimate of the tax or fees due. Such assessment shall be deemed prima facie correct and shall be the amount of tax owed to the city by the taxpayer. The director shall notify the taxpayer by mail of the amount of tax so

determined, together with any penalty, interest, and fees due; the total of such amounts shall thereupon become immediately due and payable. (Ord. 2809-04 § 1 (part), 2004)

is hereby amended to read as follows:

3.19.040 When due and payable—Reporting periods—Monthly, quarterly, and annual returns—Threshold provisions or relief from filing requirements—Computing time periods—Failure to file returns.

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the city by the taxpayer. The director shall notify the taxpayer by mail of the amount of tax so determined, together with any penalty, interest, and fees due; the total of such amounts shall thereupon become immediately due and payable. (Ord. 2809-04 § 1 (part), 2004)

Section 3. **Severability.** Should any section, paragraph, clause or phrase of this Ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, or should any portion of this Ordinance be pre-empted by state or federal law or regulations, this shall not affect the validity of the remaining portions of this Ordinance or its application to other persons or circumstances.

Section 4. **Conflict.** In the event there is a conflict between the provisions of this Ordinance and any other City ordinance, the provisions of this Ordinance shall control.

Section 5. **Corrections.** The City Clerk and the codifiers of this Ordinance are authorized to make necessary corrections to this Ordinance including, but not limited to, the correction of scrivener's/clerical errors, references, ordinance numbering, section/subsection number and any references thereto.

Section 6. **General Duty.** It is expressly the purpose of this Ordinance to provide for and promote the health, safety and welfare of the general public and not to create or otherwise establish or designate any particular class or group of persons who will or should be especially protected or benefited by the terms of this Ordinance. It is the specific intent of this Ordinance that no provision or any term used in this Ordinance is intended to impose any duty whatsoever upon the City or any of its officers or employees. Nothing contained in this Ordinance is intended nor shall be construed to create or form the basis of any liability on the part of the City, or its officers, employees or agents, for any injury or damage resulting from any action or inaction on the part of the City related in any manner to the enforcement of this Ordinance by its officers, employees or agents.

Ray Stephanson, Mayor

ATTEST:

Sharon Fuller, City Clerk

Passed: _____

Valid: _____

Published: _____

Effective Date: _____